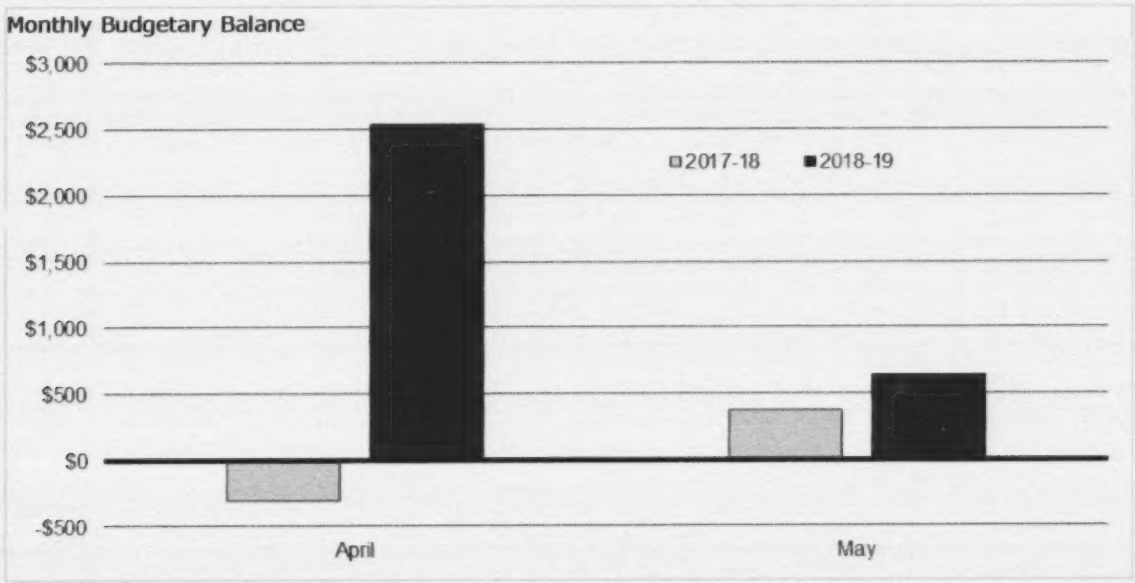
Government of Canada / Gouvernement du Canada **Department of Finance Canada** Canada

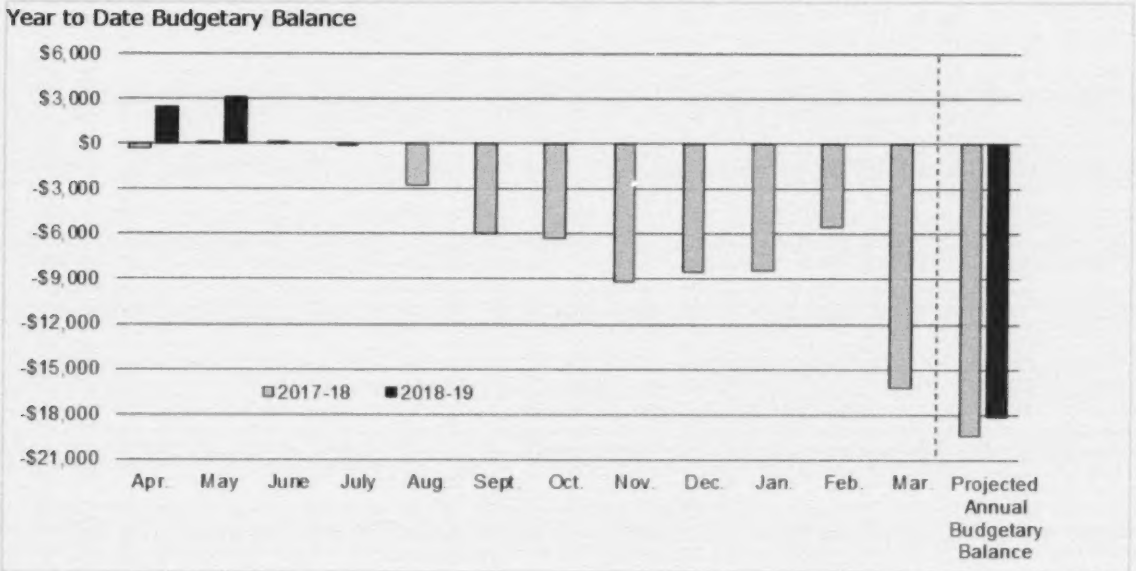
The Fiscal Monitor
A publication of the Department of Finance

Highlights for April and May 2018

For the first two months of the 2018-19 fiscal year (April and May), there was a budgetary surplus of $3.2 billion, compared to a surplus of $0.1 billion reported in the same period of 2017-18. By month, there was a surplus of $2.5 billion in April and a surplus of $0.6 billion in May.



For the two months combined, revenues were up $4.3 billion, or 8.6 per cent, largely reflecting increases in tax revenues and Employment Insurance (EI) premium revenues which were partially offset by a decrease in other revenues. Program expenses were up $0.7 billion, or 1.6 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were up $0.5 billion, or 12.4 per cent, largely reflecting higher Consumer Price Index adjustments on Real Return Bonds.



Source: Budget 2018.

Table 1
Summary statement of transactions
($ millions)

	April		May		April – May	
	2017	**2018**	**2017**	**2018**	**2017–18**	**2018–19**
Budgetary transactions						
Revenues	25,156	28,925	25,[illegible]	25,717	50,294	54,642
Expenses						
Program expenses	-23,445	-24,070	-22,699	-22,809	-46,144	-46,879
Public debt charges	-2,020	-2,320	-2,062	-2,267	-4,082	-4,587
Budgetary balance (deficit/surplus)	-309	2,535	377	641	68	3,176
Non-budgetary transactions	-13,601	-4,090	-590	1,153	-14,191	-2,937
Financial source/requirement	-13,910	-1,555	-213	1,794	-14,123	239
Net change in financing activities	14,428	9,472	8,396	3,651	22,824	13,123
Net change in cash balances	518	7,917	8,183	5,445	8,701	13,362
Cash balance at end of period					45,602	51,038

Notes: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Revenues

For the April to May period of 2018-19, revenues increased by $4.3 billion, or 8.6 per cent, to $54.6 billion.

- Tax revenues increased by $4.2 billion, or 10.2 per cent, driven largely by growth in personal and corporate income tax revenues and Goods and Services Tax revenues.
- EI premium revenues were up $0.2 billion, or 5.1 per cent.

- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were down $0.1 billion, or 1.5 per cent.

Table 2
Revenues

	April		May		April – May		
	2017	2018	2017	2018	2017–18	2018–19	Change
	($ millions)						(%)
Tax revenues							
Income taxes							
Personal	12,698	14,526	10,780	10,784	23,478	25,310	7.8
Corporate	3,016	4,720	4,165	3,669	7,181	8,389	16.8
Non-resident	601	682	512	731	1,113	1,413	27.0
Total income tax revenues	16,315	19,928	15,457	15,184	31,772	35,112	10.5
Other taxes and duties							
Goods and Services Tax	3,130	3,115	3,422	4,254	6,552	7,369	12.5
Energy taxes	392	423	475	457	867	880	1.5
Customs import duties	422	414	459	445	881	859	-2.5
Other excise taxes and duties	402	414	528	567	930	981	5.5
Total other taxes and duties	4,346	4,366	4,884	5,723	9,230	10,089	9.3
Total tax revenues	20,661	24,294	20,341	20,907	41,002	45,201	10.2
Employment Insurance premiums	2,240	2,358	2,109	2,214	4,349	4,572	5.1
Other revenues	2,255	2,273	2,688	2,596	4,943	4,869	-1.5

Total revenues	25,156	28,925	25,138	25,717	50,294	54,642	8.6
Note: Totals may not add due to rounding.							

Expenses

For the April to May period of 2018-19, program expenses were $46.9 billion, up $0.7 billion, or 1.6 per cent, from the same period the previous year.

- Major transfers to persons, consisting of elderly benefits, EI benefits and children's benefits, were up $0.1 billion or 0.7 per cent. Elderly benefits increased by $0.4 billion, or 5.1 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefits decreased by $0.5 billion, or 13.2 per cent. Children's benefits were up $0.2 billion, or 4.2 per cent.
- Major transfers to other levels of government were up $0.4 billion, or 3.7 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up $0.2 billion, or 1.0 per cent. Within direct program expenses:
    - Transfer payments decreased by $0.3 billion, or 4.6 per cent.
    - Operating expenses of the Government's departments, agencies and consolidated Crown corporations and other entities increased by $0.5 billion, or 3.6 per cent.

Public debt charges increased by $0.5 billion, or 12.4 per cent, largely reflecting higher Consumer Price Index adjustments on Real Return Bonds.

Table 3
Expenses

	April		May		April – May		
	2017	2018	2017	2018	2017–18	2018–19	Change
	($ millions)						(%)
Major transfers to persons							
Elderly benefits	4,078	4,281	4,166	4,382	8,244	8,663	5.1
Employment Insurance benefits	2,086	1,923	1,509	1,196	3,595	3,119	-13.2
Children's benefits	1,946	2,020	1,967	2,057	3,913	4,077	4.2
Total	8,110	8,224	7,642	7,635	15,752	15,859	0.7
Major transfers to other levels of government							
Canada Health Transfer	3,096	3,216	3,096	3,215	6,192	6,431	3.9
Canada Social Transfer	1,145	1,180	1,146	1,180	2,291	2,360	3.0
Equalization	1,522	1,580	1,521	1,580	3,043	3,160	3.8
Territorial Formula Financing	589	605	589	606	1,178	1,211	2.8
Gas Tax Fund	0	0	0	0	0	0	n/a
Home care and mental health	0	17	0	0	0	17	n/a
Other Fiscal Arrangements[1]	-396	-416	-397	-416	-793	-832	4.9
Total	5,956	6,182	5,955	6,165	11,911	12,347	3.7
Direct program expenses							
Transfer payments	3,267	3,452	2,400	1,952	5,667	5,404	-4.6

Other direct program expenses	6,112	6,212	6,702	7,057	12,814	13,269	3.6
Total direct program expenses	9,379	9,664	9,102	9,009	18,481	18,673	1.0
Total program expenses	23,445	24,070	22,699	22,809	46,144	46,879	1.6
Public debt charges	2,020	2,320	2,062	2,267	4,082	4,587	12.4
Total expenses	25,465	26,390	24,761	25,076	50,226	51,466	2.5

Note: Totals may not add due to rounding.

[1] Other fiscal arrangements include the Youth Allowances Recovery and Alternative Payments for Standing Programs, which represent a recovery from Quebec of a tax point transfer; statutory subsidies; payments under the 2005 Offshore Accords; and payments to provinces in respect of common securities regulation.

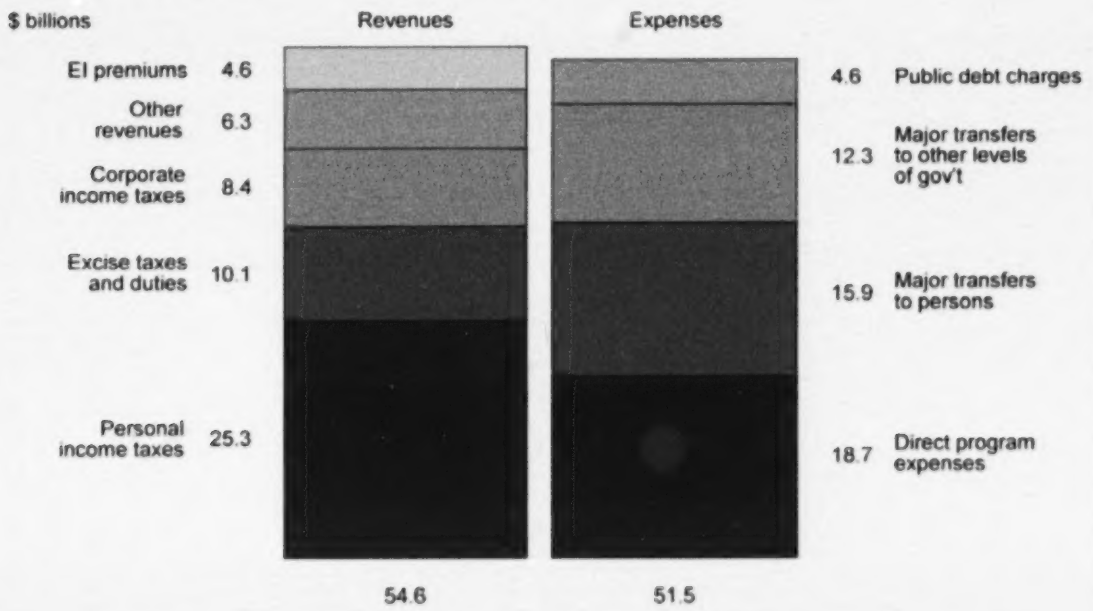
The following table presents total expenses by main object of expense.

Table 4
Total expenses by object of expense

	April		May		April - May		
	2017	2018	2017	2018	2017-18	2018-19	Change
	($ millions)						(%)
Transfer payments	17,333	17,858	15,997	15,752	33,330	33,610	0.8
Other expenses							
Personnel	3,639	3,917	3,969	4,366	7,608	8,283	8.9
Transportation and communications	60	66	194	223	254	289	13.8
Information	3	5	13	20	16	25	56.3
Professional and special services	311	228	539	635	850	863	1.5
Rentals	351	311	221	270	572	581	1.6
Repair and maintenance	56	59	130	121	186	180	-3.2
Utilities, materials and supplies	95	115	210	197	305	312	2.3
Other subsidies and expenses	1,189	1,090	994	808	2,183	1,898	-13.1
Amortization of tangible capital assets	401	413	424	409	825	822	-0.4
Net loss on disposal of assets	7	8	8	8	15	16	6.7
Total other expenses	6,112	6,212	6,702	7,057	12,814	13,269	3.6
Total program expenses	23,445	24,070	22,699	22,809	46,144	46,879	1.6
Public debt charges	2,020	2,320	2,062	2,267	4,082	4,587	12.4
Total expenses	25,465	26,390	24,761	25,076	50,226	51,466	2.5

Note: Totals may not add due to rounding.

Revenues and expenses (April 2018 to May 2018)



Note: Totals may not add due to rounding.

Financial source of $0.2 billion for April and May 2018

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $3.2 billion and a requirement of $2.9 billion from non-budgetary transactions, there was a financial source of $0.2 billion for the April to May 2018 period, compared to a financial requirement of $14.1 billion from the same period the previous year.

Table 5
The budgetary balance and financial source/requirement
($ millions)

	April		May		April – May	
	2017	**2018**	**2017**	**2018**	**2017–18**	**2018–19**
Budgetary balance (deficit/surplus)	-309	2,535	377	641	68	3,176
Non-budgetary transactions						
Accounts payable, accrued liabilities and accounts receivable	-7,094	-5,233	-796	610	-7,890	-4,623
Pensions, other future benefits, and other liabilities	-299	362	533	428	234	790
Foreign exchange accounts	-5,271	1,239	189	1,219	-5,082	2,458
Loans, investments and advances	-1,154	-701	-632	-1,084	-1,786	-1,785
Non-financial assets	217	243	116	-20	333	223
Total non-budgetary transactions	-13,601	-4,090	-590	1,153	-14,191	-2,937
Financial source/requirement	-13,910	-1,555	-213	1,794	-14,123	239

Note: Totals may not add due to rounding.

Net financing activities up $13.1 billion

The government used this financial source of $0.2 billion and increased its unmatured debt by $13.1 billion to increase its cash balances by $13.4 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of May 2018 stood at $51.0 billion, up $5.4 billion from their level at the end of May 2017.

Table 6
Financial source/requirement and net financing activities
($ millions)

	April		May		April – May	
	2017	**2018**	**2017**	**2018**	**2017–18**	**2018–19**
Financial source/requirement	-13,910	-1,555	-213	1,794	-14,123	239
Net increase (+)/decrease (-) in financing activities						
Unmatured debt transactions						
Canadian currency borrowings						
Marketable bonds	5,046	5,725	4,664	-3,775	9,710	1,950
Treasury bills	6,100	5,200	4,300	8,000	10,400	13,200
Retail debt	-48	-68	-98	-17	-146	-85
Total	11,098	10,857	8,866	4,208	19,964	15,065
Foreign currency borrowings	640	-159	247	-24	887	-183
Total	11,738	10,698	9,113	4,184	20,851	14,882
Cross-currency swap revaluation	2,790	-988	-657	-225	2,133	-1,213
Unamortized discounts and premiums on market debt	-61	-198	-46	-290	-107	-488
Obligations related to capital leases and other unmatured debt	-39	-40	-14	-18	-53	-58
Net change in financing activities	14,428	9,472	8,396	3,651	22,824	13,123
Change in cash balance	518	7,917	8,183	5,445	8,701	13,362
Cash balance at end of period					45,602	51,038

Note: Totals may not add due to rounding.

Notes

1. The Fiscal Monitor is a report on the consolidated financial results of the Government of Canada, prepared monthly by the Department of Finance. The Government is committed to releasing the Fiscal Monitor on a timely basis in accordance with the International Monetary Fund's Special Data Dissemination Standards Plus, which are designed to promote member countries' data transparency and promote the development of sound statistical systems.
2. The financial results reported in the Fiscal Monitor are drawn from the accounts of Canada, which are maintained by the Receiver General and used to prepare the annual Public Accounts of Canada.
3. The Fiscal Monitor is generally prepared in accordance with the same accounting policies as used to prepare the Government's annual consolidated financial statements, which are summarized in Section 2 of Volume I of the Public Accounts of Canada, available through the Public Services and Procurement Canada website.
4. The financial results presented in the Fiscal Monitor have not been audited or reviewed by an external auditor.
5. There can be substantial volatility in monthly results due to the timing of revenue receipts and expense recognition. For instance, a large share of government spending is typically reported in the March Fiscal Monitor.
6. The April to March results reported in the Fiscal Monitor are not the final results for the fiscal year as a whole. The final results are published in the annual Public Accounts of Canada and incorporate post-March end-of-year adjustments made once further information becomes available, including the accrual of tax revenues reflecting assessments of tax returns and valuation adjustments for assets and liabilities. Post-March adjustments may also include the accrual of measures announced in the Budget that are recorded upon receipt of Royal Assent of enabling legislation.
7. Table 7, Condensed Statement of Assets and Liabilities, is included in the monthly Fiscal Monitor following the finalization and publication of the Government's financial results for the preceding fiscal year, typically in the fall.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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July 2018

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